

2005 DRAFTING REQUEST

Bill

Received: **12/17/2004**

Received By: **jkreye**

Wanted: **As time permits**

Identical to LRB:

For: **Scott Suder (608) 267-0280**

By/Representing: **todd**

This file may be shown to any legislator: **NO**

Drafter: **jkreye**

May Contact:

Addl. Drafters: **mlief
csundber
mshovers**

Subject: **Tax, Business - credits
Econ. Development - bus. dev.
Tax, Individual - dedct/sbtrct**

Extra Copies:

Submit via email: **YES**

Requester's email: **Rep.Suder@legis.state.wi.us**

Carbon copy (CC:) to: **joseph.kreye@legis.state.wi.us
madelon.lief@legis.state.wi.us
christopher.sundberg@legis.state.wi.us**

Pre Topic:

No specific pre topic given

Topic:

Job oppurtunity building development zones

Instructions:

See Attached

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/?				_____			S&L
				_____			Tax
/P1	jkreye 01/26/2005	wjackson 02/14/2005	jfrantze 02/15/2005	_____	mbarman 02/15/2005		State

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/4			rschluet 03/10/2005	_____	lemery 03/10/2005	lnorthro 03/11/2005	

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03-11-2004
("1/4")

Requested
by Luke Hilgemann
("Rush")

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02/19, 02/19

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1/p2 Wj 2/22 *[Signature]* 2/23 *[Signature]* 2/23

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/?	jkreye	1/11/14	1/15	1/15			

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<END>

Kreye, Joseph

From: Lief, Madelon
Sent: Thursday, December 16, 2004 1:37 PM
To: Kreye, Joseph
Subject: FW: Draft request for Rep. Suder

Joe- I took a very quick look at this and it appears that it is more of a tax exemption draft than anything else. If I am mistaken or if I need to play a role in this, please let me know. Otherwise, will you let Luke know that you'll be taking the lead on this?

Lonnie

-----Original Message-----

From: Hilgemann, Luke
Sent: Thursday, December 16, 2004 1:34 PM
To: Lief, Madelon
Subject: Draft request for Rep. Suder

Hello Lonnie,

Here is the link to the bill from Minnesota that we would like you to draft. Let me know if you have any questions.

Thank you!

<http://www.revisor.leg.state.mn.us/data/house/sps/2003/H0007.1031.html>

Luke

Luke Hilgemann
Legislative Assistant
Office of Scott Suder
State Representative--69th Assembly District
Room 21 North, State Capitol
267-0280



WISCONSIN LEGISLATURE

P.O. Box 7882 • Madison, WI 53707-7882

FOR IMMEDIATE RELEASE
FOR MORE INFORMATION CONTACT:
STATE REPRESENTATIVE SCOTT SUDER:

DECEMBER 21, 2004

1-(888) 534-0069

SUDER DRAFTS 'RURAL ENTERPRISE ZONE' ACT

NORTHERN LAWMAKER'S JOB CREATION PLAN REWARDS BUSINESS INVESTMENT IN RURAL WISCONSIN

MADISON...State Representative Scott Suder (R-Abbotsford) announced his office is developing legislation aimed at stimulating business creation and development in rural Wisconsin. The Northern Lawmaker's "Rural Enterprise Zone Act" will provide state and local tax exemptions and expedite the permit process for businesses that relocate in rural areas in our state. Suder said his plan is similar to the business incentive program in Minnesota that has generated nearly 2,000 new high paying jobs in rural Minnesota in less than a year.

"This program created thousands of jobs in Minnesota and we want to bring that success to rural Wisconsin," said Suder. "This bill will give rural communities the additional economic tools they need to compete with urban areas like Madison and Milwaukee," Suder commented.

Suder's 'Rural Enterprise Zone Act' will create 10 Rural Jobs Zones in underdeveloped areas of the state. Businesses that relocate or expand to these community based zones will be exempt from a multitude of state and local taxes. Under the lawmaker's proposal, businesses that open, relocate, or expand their operations in one of the Rural Jobs Districts will be exempt from: corporate franchise taxes; income taxes for operators or investors; capital gains taxes; sales taxes on goods and services used in the zone (if they are purchased from other businesses within the zone); and property tax on improvement projects, but not on land. The businesses will also be able to receive further tax incentives based on the number of high-paying jobs they create and the amount of renewable energy they use.

"Rural areas need all the economic help we can give them," Suder stated. "Wisconsin needs to stay competitive and this program will help bring good paying, stable jobs to our rural communities."

Businesses have to meet several criteria before they will be eligible to take part in the tax exemption program. Suder said qualified businesses will include those that already have existing operations in the zone, new business start ups, and businesses that relocate to the zone from other states and countries. According to Suder, state businesses can relocate to the new zones but they may be required to increase employment up to 15% in the first year. The lawmaker said this provision will help strike a balance between in and out of state businesses which choose to relocate to a Rural Enterprise Zone.

"Our primary goal is to lure businesses in from outside the state, not merely shift jobs from one area of the state to another," Suder said. "If Wisconsin doesn't move forward with a program like this, other states like Minnesota will begin taking our businesses as a result of a more attractive business climate. We can't let that happen."

For more information on Rep. Suder's "Rural Jobs Creation Act" please feel free to contact him toll-free at 888-534-0069 or by email at Rep.Suder@legis.state.wi.us.



Minnesota State Legislature

H.F. 7, 2003 1st Special Session, 1st engrossment

Key: ~~language to be deleted~~...new language Change language enhancement display.

Authors and Status

1.1 A bill for an act
 1.2 relating to the financing and operation of state and
 1.3 local government; providing for job opportunity
 1.4 building zones; providing for a biotechnology and
 1.5 health sciences industry zone; changing income, sales
 1.6 and use, motor vehicle sales, motor vehicle
 1.7 registration, property, cigarette and tobacco, liquor,
 1.8 mortgage registry and deed, and other taxes; updating
 1.9 references to the Internal Revenue Code; changing
 1.10 accelerated sales tax liability provisions and
 1.11 extending the requirements to other taxes; changing or
 1.12 providing property tax and sales tax exemptions;
 1.13 requiring payment of certain lawful gambling taxes;
 1.14 altering the computation and payments of
 1.15 intergovernmental aids; imposing levy limits;
 1.16 modifying truth in taxation requirements; providing
 1.17 economic development incentives; changing tax
 1.18 increment financing requirements; providing powers to
 1.19 certain cities and counties; authorizing a special
 1.20 taxing district; providing for collection of certain
 1.21 debts and charges; providing for payments into and
 1.22 transfers among certain funds and accounts; providing
 1.23 for distribution of certain revenues and funds;
 1.24 regulating limited used vehicle licenses; making
 1.25 certain changes relating to the taconite assistance
 1.26 area; authorizing municipalities to collect certain
 1.27 charges as a special assessment; changing certain
 1.28 requirements relating to the metropolitan mosquito
 1.29 control district; regulating tax preparers; providing
 1.30 for studies; providing penalties; appropriating money;
 1.31 amending Minnesota Statutes 2002, sections 3.986,
 1.32 subdivision 4; 4A.02; 16A.152, subdivisions 1, 1b, 2;
 1.33 18B.07, subdivision 2, as amended; 62J.692,
 1.34 subdivision 4, by adding a subdivision; 168.27,
 1.35 subdivision 4a; 270.60, subdivision 4; 270A.03,
 1.36 subdivision 2; 270A.07, subdivisions 1, 2; 272.02,
 1.37 subdivision 25, by adding subdivisions; 272.029, by
 1.38 adding a subdivision; 273.11, subdivision 13; 273.13,
 1.39 subdivision 25; 273.1341, as added; 273.1398,
 1.40 subdivisions 4a, 4c, 6, 8; 275.025, subdivision 1;
 1.41 275.065, subdivision 3; 275.066; 275.70, subdivision
 1.42 5; 275.71, subdivisions 2, 4, 5, 6; 275.72,
 1.43 subdivision 3; 275.73, subdivision 2; 275.74,
 1.44 subdivision 3; 276A.01, subdivision 2; 287.12; 287.29,
 1.45 subdivision 1; 287.31, by adding a subdivision;
 1.46 289A.02, subdivision 7, as amended; 289A.08,

** the jobs credit
is substantially
similar to WIS current
development zone
job credit*

2.1 subdivision 16, as amended; 289A.20, subdivision 4;
 2.2 289A.31, subdivision 7; 289A.60, subdivision 15;
 2.3 290.01, subdivisions 19, as amended, 19b, 29, 31, as
 2.4 amended; 290.06, subdivision 2c, by adding
 2.5 subdivisions; 290.067, subdivision 1; 290.0671,
 2.6 subdivision 1; 290.091, subdivision 2; 290.0921,
 2.7 subdivision 3; 290.0922, subdivisions 2, 3; 290A.03,
 2.8 subdivision 15, as amended; 297A.68, by adding
 2.9 subdivisions; 297A.70, subdivisions 8, 10, 14, 16;
 2.10 297A.71, by adding a subdivision; 297B.01, subdivision
 2.11 7; 297B.03; 297F.09, subdivisions 1, 2, by adding a
 2.12 subdivision; 297F.10, subdivision 1, as amended;
 2.13 297G.01, by adding a subdivision; 297G.03, subdivision
 2.14 1; 297G.09, by adding a subdivision; 298.018,
 2.15 subdivisions 1, 2; 298.22, subdivisions 2, 8;
 2.16 298.2211, subdivisions 1, 2; 298.2213, subdivision 3;
 2.17 298.2214, subdivisions 1, 3; 298.223, subdivision 1;
 2.18 298.28, subdivisions 7, 11; 298.292, subdivision 2;
 2.19 298.293; 298.298; 349.16, by adding a subdivision;
 2.20 429.101, subdivision 1; 469.169, by adding a
 2.21 subdivision; 469.174, subdivisions 6, as amended, 10,
 2.22 by adding a subdivision; 469.1763, subdivisions 2, 4;
 2.23 469.177, subdivision 1; 473.167, subdivision 3;
 2.24 473.249, subdivision 1; 473.253, subdivision 1;
 2.25 473.704, subdivision 17, as amended; 474A.061,
 2.26 subdivision 1, as amended; 477A.011, subdivisions 34,
 2.27 36, by adding subdivisions; 477A.013, subdivisions 8,
 2.28 9; 477A.03, subdivision 2, by adding subdivisions;
 2.29 611.27, subdivisions 13, 15; Laws 1980, chapter 511,
 2.30 section 1, subdivision 2, as amended; Laws 1980,
 2.31 chapter 511, section 2, as amended; Laws 1993, chapter
 2.32 375, article 9, section 46, subdivision 2, as amended;
 2.33 Laws 1998, chapter 389, article 16, section 35,
 2.34 subdivision 1, as amended; Laws 1999, chapter 243,
 2.35 article 4, section 19, as amended; Laws 2001, First
 2.36 Special Session chapter 5, article 12, section 95, as
 2.37 amended; Laws 2001, First Special Session chapter 5,
 2.38 article 20, section 22; Laws 2002, chapter 377,
 2.39 article 3, section 15; 2003 First Special Session H.
 2.40 F. No. 1, article 2, section 118, subdivision 6;
 2.41 proposing coding for new law in Minnesota Statutes,
 2.42 chapters 270; 469; 477A; repealing Minnesota Statutes
 2.43 2002, sections 37.13, subdivision 2; 272.02,
 2.44 subdivision 26; 273.138, subdivisions 2, 3, 6;
 2.45 273.1398, subdivisions 2, 2c, 4d; 273.166; 275.065,
 2.46 subdivision 3a; 325E.112, subdivision 2a; 477A.011,
 2.47 subdivision 37; 477A.0121; 477A.0122; 477A.0123;
 2.48 477A.0132; 477A.03, subdivisions 3, 4; 477A.06;
 2.49 477A.07.

2.50 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

2.51 ARTICLE 1

2.52 JOB OPPORTUNITY BUILDING ZONES

2.53 Section 1. Minnesota Statutes 2002, section 272.02, is
 2.54 amended by adding a subdivision to read:

2.55 Subd. 56. [JOB OPPORTUNITY BUILDING ZONE PROPERTY.] (a)
 2.56 Improvements to real property, and personal property, classified
 2.57 under section 273.13, subdivision 24, and located within a job
 2.58 opportunity building zone, designated under section 469.314, are
 2.59 exempt from ad valorem taxes levied under chapter 275.

2.60 (b) Improvements to real property, and tangible personal

*uniformity
done
times*

*personal property
tax exemption for
a qualified business
in a j.o.b.z.*

3.1 property, of an agricultural production facility located within
3.2 an agricultural processing facility zone, designated under
3.3 section 469.314, is exempt from ad valorem taxes levied under
3.4 chapter 275.

3.5 (c) For property to qualify for exemption under paragraph
3.6 (a), the occupant must be a qualified business, as defined in
3.7 section 469.310.

3.8 (d) The exemption applies beginning for the first
3.9 assessment year after designation of the job opportunity
3.10 building zone by the commissioner of trade and economic
3.11 development. The exemption applies to each assessment year that
3.12 begins during the duration of the job opportunity building zone
3.13 and to property occupied by July 1 of the assessment year by a
3.14 qualified business. This exemption does not apply to:

3.15 (1) the levy under section 475.61 or similar levy
3.16 provisions under any other law to pay general obligation bonds;
3.17 or

3.18 (2) a levy under section 126C.17, if the levy was approved
3.19 by the voters before the designation of the job opportunity
3.20 building zone.

3.21 [EFFECTIVE DATE.] This section is effective beginning for
3.22 property taxes assessed in 2004, payable in 2005.

3.23 Sec. 2. Minnesota Statutes 2002, section 272.029, is
3.24 amended by adding a subdivision to read:

3.25 Subd. 7. [EXEMPTION.] The tax imposed under this section
3.26 does not apply to electricity produced by wind energy conversion
3.27 systems located in a job opportunity building zone, designated
3.28 under section 469.314, for the duration of the zone. The
3.29 exemption applies beginning for the first calendar year after
3.30 designation of the zone and applies to each calendar year that
3.31 begins during the designation of the zone.

3.32 [EFFECTIVE DATE.] This section is effective the day
3.33 following final enactment.

3.34 Sec. 3. Minnesota Statutes 2002, section 290.01,
3.35 subdivision 19b, is amended to read:

3.36 Subd. 19b. [SUBTRACTIONS FROM FEDERAL TAXABLE INCOME.] For
4.1 individuals, estates, and trusts, there shall be subtracted from
4.2 federal taxable income:

4.3 (1) interest income on obligations of any authority,
4.4 commission, or instrumentality of the United States to the
4.5 extent includable in taxable income for federal income tax
4.6 purposes but exempt from state income tax under the laws of the
4.7 United States;

4.8 (2) if included in federal taxable income, the amount of
4.9 any overpayment of income tax to Minnesota or to any other
4.10 state, for any previous taxable year, whether the amount is
4.11 received as a refund or as a credit to another taxable year's
4.12 income tax liability;

4.13 (3) the amount paid to others, less the amount used to
4.14 claim the credit allowed under section 290.0674, not to exceed
4.15 \$1,625 for each qualifying child in grades kindergarten to 6 and
4.16 \$2,500 for each qualifying child in grades 7 to 12, for tuition,
4.17 textbooks, and transportation of each qualifying child in
4.18 attending an elementary or secondary school situated in
4.19 Minnesota, North Dakota, South Dakota, Iowa, or Wisconsin,
4.20 wherein a resident of this state may legally fulfill the state's
4.21 compulsory attendance laws, which is not operated for profit,
4.22 and which adheres to the provisions of the Civil Rights Act of
4.23 1964 and chapter 363. For the purposes of this clause,
4.24 "tuition" includes fees or tuition as defined in section

4.25 290.0674, subdivision 1, clause (1). As used in this clause,
4.26 "textbooks" includes books and other instructional materials and
4.27 equipment purchased or leased for use in elementary and
4.28 secondary schools in teaching only those subjects legally and
4.29 commonly taught in public elementary and secondary schools in
4.30 this state. Equipment expenses qualifying for deduction
4.31 includes expenses as defined and limited in section 290.0674,
4.32 subdivision 1, clause (3). "Textbooks" does not include
4.33 instructional books and materials used in the teaching of
4.34 religious tenets, doctrines, or worship, the purpose of which is
4.35 to instill such tenets, doctrines, or worship, nor does it
4.36 include books or materials for, or transportation to,
5.1 extracurricular activities including sporting events, musical or
5.2 dramatic events, speech activities, driver's education, or
5.3 similar programs. For purposes of the subtraction provided by
5.4 this clause, "qualifying child" has the meaning given in section
5.5 32(c)(3) of the Internal Revenue Code;
5.6 (4) income as provided under section 290.0802;
5.7 (5) to the extent included in federal adjusted gross
5.8 income, income realized on disposition of property exempt from
5.9 tax under section 290.491;
5.10 (6) to the extent not deducted in determining federal
5.11 taxable income or used to claim the long-term care insurance
5.12 credit under section 290.0672, the amount paid for health
5.13 insurance of self-employed individuals as determined under
5.14 section 162(1) of the Internal Revenue Code, except that the
5.15 percent limit does not apply. If the individual deducted
5.16 insurance payments under section 213 of the Internal Revenue
5.17 Code of 1986, the subtraction under this clause must be reduced
5.18 by the lesser of:
5.19 (i) the total itemized deductions allowed under section
5.20 63(d) of the Internal Revenue Code, less state, local, and
5.21 foreign income taxes deductible under section 164 of the
5.22 Internal Revenue Code and the standard deduction under section
5.23 63(c) of the Internal Revenue Code; or
5.24 (ii) the lesser of (A) the amount of insurance qualifying
5.25 as "medical care" under section 213(d) of the Internal Revenue
5.26 Code to the extent not deducted under section 162(1) of the
5.27 Internal Revenue Code or excluded from income or (B) the total
5.28 amount deductible for medical care under section 213(a);
5.29 (7) the exemption amount allowed under Laws 1995, chapter
5.30 255, article 3, section 2, subdivision 3;
5.31 (8) to the extent included in federal taxable income,
5.32 postservice benefits for youth community service under section
5.33 124D.42 for volunteer service under United States Code, title
5.34 42, sections 12601 to 12604;
5.35 (9) to the extent not deducted in determining federal
5.36 taxable income by an individual who does not itemize deductions
6.1 for federal income tax purposes for the taxable year, an amount
6.2 equal to 50 percent of the excess of charitable contributions
6.3 allowable as a deduction for the taxable year under section
6.4 170(a) of the Internal Revenue Code over \$500;
6.5 (10) for taxable years beginning before January 1, 2008,
6.6 the amount of the federal small ethanol producer credit allowed
6.7 under section 40(a)(3) of the Internal Revenue Code which is
6.8 included in gross income under section 87 of the Internal
6.9 Revenue Code;
6.10 (11) for individuals who are allowed a federal foreign tax
6.11 credit for taxes that do not qualify for a credit under section
6.12 290.06, subdivision 22, an amount equal to the carryover of

6.13 subnational foreign taxes for the taxable year, but not to
 6.14 exceed the total subnational foreign taxes reported in claiming
 6.15 the foreign tax credit. For purposes of this clause, "federal
 6.16 foreign tax credit" means the credit allowed under section 27 of
 6.17 the Internal Revenue Code, and "carryover of subnational foreign
 6.18 taxes" equals the carryover allowed under section 904(c) of the
 6.19 Internal Revenue Code minus national level foreign taxes to the
 6.20 extent they exceed the federal foreign tax credit; ~~and~~

6.21 (12) in each of the five tax years immediately following
 6.22 the tax year in which an addition is required under subdivision
 6.23 19a, clause (7), an amount equal to one-fifth of the delayed
 6.24 depreciation. For purposes of this clause, "delayed
 6.25 depreciation" means the amount of the addition made by the
 6.26 taxpayer under subdivision 19a, clause (7), minus the positive
 6.27 value of any net operating loss under section 172 of the
 6.28 Internal Revenue Code generated for the tax year of the
 6.29 addition. The resulting delayed depreciation cannot be less
 6.30 than zero; and

6.31 (13) job opportunity building zone income as provided under
 6.32 section 469.316.

6.33 **[EFFECTIVE DATE.]** This section is effective for taxable
 6.34 years beginning after December 31, 2003.

6.35 Sec. 4. Minnesota Statutes 2002, section 290.01,
 6.36 subdivision 29, is amended to read:

7.1 Subd. 29. **[TAXABLE INCOME.]** The term "taxable income"
 7.2 means:

7.3 (1) for individuals, estates, and trusts, the same as
 7.4 taxable net income;

7.5 (2) for corporations, the taxable net income less

7.6 (i) the net operating loss deduction under section 290.095;

7.7 ~~and~~

7.8 (ii) the dividends received deduction under section 290.21,
 7.9 subdivision 4; and

7.10 (iii) the exemption for operating in a job opportunity
 7.11 building zone under section 469.317.

7.12 **[EFFECTIVE DATE.]** This section is effective for taxable
 7.13 years beginning after December 31, 2003.

7.14 Sec. 5. Minnesota Statutes 2002, section 290.06,
 7.15 subdivision 2c, is amended to read:

7.16 Subd. 2c. **[SCHEDULES OF RATES FOR INDIVIDUALS, ESTATES,**
 7.17 **AND TRUSTS.]** (a) The income taxes imposed by this chapter upon
 7.18 married individuals filing joint returns and surviving spouses
 7.19 as defined in section 2(a) of the Internal Revenue Code must be
 7.20 computed by applying to their taxable net income the following
 7.21 schedule of rates:

7.22 (1) On the first \$25,680, 5.35 percent;

7.23 (2) On all over \$25,680, but not over \$102,030, 7.05
 7.24 percent;

7.25 (3) On all over \$102,030, 7.85 percent.

7.26 Married individuals filing separate returns, estates, and
 7.27 trusts must compute their income tax by applying the above rates
 7.28 to their taxable income, except that the income brackets will be
 7.29 one-half of the above amounts.

7.30 (b) The income taxes imposed by this chapter upon unmarried
 7.31 individuals must be computed by applying to taxable net income
 7.32 the following schedule of rates:

7.33 (1) On the first \$17,570, 5.35 percent;

7.34 (2) On all over \$17,570, but not over \$57,710, 7.05
 7.35 percent;

7.36 (3) On all over \$57,710, 7.85 percent.

*subtract job
 zone from
 fed. taxable income for
 ind., estates, & trusts*

8.1 (c) The income taxes imposed by this chapter upon unmarried
 8.2 individuals qualifying as a head of household as defined in
 8.3 section 2(b) of the Internal Revenue Code must be computed by
 8.4 applying to taxable net income the following schedule of rates:

8.5 (1) On the first \$21,630, 5.35 percent;

8.6 (2) On all over \$21,630, but not over \$86,910, 7.05
 8.7 percent;

8.8 (3) On all over \$86,910, 7.85 percent.

8.9 (d) In lieu of a tax computed according to the rates set
 8.10 forth in this subdivision, the tax of any individual taxpayer
 8.11 whose taxable net income for the taxable year is less than an
 8.12 amount determined by the commissioner must be computed in
 8.13 accordance with tables prepared and issued by the commissioner
 8.14 of revenue based on income brackets of not more than \$100. The
 8.15 amount of tax for each bracket shall be computed at the rates
 8.16 set forth in this subdivision, provided that the commissioner
 8.17 may disregard a fractional part of a dollar unless it amounts to
 8.18 50 cents or more, in which case it may be increased to \$1.

8.19 (e) An individual who is not a Minnesota resident for the
 8.20 entire year must compute the individual's Minnesota income tax
 8.21 as provided in this subdivision. After the application of the
 8.22 nonrefundable credits provided in this chapter, the tax
 8.23 liability must then be multiplied by a fraction in which:

8.24 (1) the numerator is the individual's Minnesota source
 8.25 federal adjusted gross income as defined in section 62 of the
 8.26 Internal Revenue Code and increased by the additions required
 8.27 under section 290.01, subdivision 19a, clauses (1) and (6), and
 8.28 reduced by the subtraction under section 290.01, subdivision
 8.29 19b, clause (13), and the Minnesota assignable portion of the
 8.30 subtraction for United States government interest under section
 8.31 290.01, subdivision 19b, clause (1), after applying the
 8.32 allocation and assignability provisions of section 290.081,
 8.33 clause (a), or 290.17; and

8.34 (2) the denominator is the individual's federal adjusted
 8.35 gross income as defined in section 62 of the Internal Revenue
 8.36 Code of 1986, increased by the amounts specified in section
 9.1 290.01, subdivision 19a, clauses (1) and (6), and reduced by the
 9.2 amounts specified in section 290.01, subdivision 19b, ~~clause~~
 9.3 clauses (1) and (13).

9.4 **[EFFECTIVE DATE.]** This section is effective for taxable
 9.5 years beginning after December 31, 2003.

9.6 Sec. 6. Minnesota Statutes 2002, section 290.06, is
 9.7 amended by adding a subdivision to read:

9.8 Subd. 29. [JOB OPPORTUNITY BUILDING ZONE JOB CREDIT.] A
 9.9 taxpayer that is a qualified business, as defined in section
 9.10 469.310, subdivision 11, is allowed a credit as determined under
 9.11 section 469.318 against the tax imposed by this chapter.

9.12 **[EFFECTIVE DATE.]** This section is effective the day
 9.13 following final enactment.

9.14 Sec. 7. Minnesota Statutes 2002, section 290.067,
 9.15 subdivision 1, is amended to read:

9.16 Subdivision 1. [AMOUNT OF CREDIT.] (a) A taxpayer may take
 9.17 as a credit against the tax due from the taxpayer and a spouse,
 9.18 if any, under this chapter an amount equal to the dependent care
 9.19 credit for which the taxpayer is eligible pursuant to the
 9.20 provisions of section 21 of the Internal Revenue Code subject to
 9.21 the limitations provided in subdivision 2 except that in
 9.22 determining whether the child qualified as a dependent, income
 9.23 received as a Minnesota family investment program grant or
 9.24 allowance to or on behalf of the child must not be taken into

*job
tax credit
for qualified
business*

9.25 account in determining whether the child received more than half
9.26 of the child's support from the taxpayer, and the provisions of
9.27 section 32(b)(1)(D) of the Internal Revenue Code do not apply.

9.28 (b) If a child who has not attained the age of six years at
9.29 the close of the taxable year is cared for at a licensed family
9.30 day care home operated by the child's parent, the taxpayer is
9.31 deemed to have paid employment-related expenses. If the child
9.32 is 16 months old or younger at the close of the taxable year,
9.33 the amount of expenses deemed to have been paid equals the
9.34 maximum limit for one qualified individual under section 21(c)
9.35 and (d) of the Internal Revenue Code. If the child is older
9.36 than 16 months of age but has not attained the age of six years
10.1 at the close of the taxable year, the amount of expenses deemed
10.2 to have been paid equals the amount the licensee would charge
10.3 for the care of a child of the same age for the same number of
10.4 hours of care.

10.5 (c) If a married couple:

10.6 (1) has a child who has not attained the age of one year at
10.7 the close of the taxable year;

10.8 (2) files a joint tax return for the taxable year; and

10.9 (3) does not participate in a dependent care assistance
10.10 program as defined in section 129 of the Internal Revenue Code,
10.11 in lieu of the actual employment related expenses paid for that
10.12 child under paragraph (a) or the deemed amount under paragraph
10.13 (b), the lesser of (i) the combined earned income of the couple
10.14 or (ii) the amount of the maximum limit for one qualified
10.15 individual under section 21(c) and (d) of the Internal Revenue
10.16 Code will be deemed to be the employment related expense paid
10.17 for that child. The earned income limitation of section 21(d)
10.18 of the Internal Revenue Code shall not apply to this deemed
10.19 amount. These deemed amounts apply regardless of whether any
10.20 employment-related expenses have been paid.

10.21 (d) If the taxpayer is not required and does not file a
10.22 federal individual income tax return for the tax year, no credit
10.23 is allowed for any amount paid to any person unless:

10.24 (1) the name, address, and taxpayer identification number
10.25 of the person are included on the return claiming the credit; or
10.26 (2) if the person is an organization described in section
10.27 501(c)(3) of the Internal Revenue Code and exempt from tax under
10.28 section 501(a) of the Internal Revenue Code, the name and
10.29 address of the person are included on the return claiming the
10.30 credit.

10.31 In the case of a failure to provide the information required
10.32 under the preceding sentence, the preceding sentence does not
10.33 apply if it is shown that the taxpayer exercised due diligence
10.34 in attempting to provide the information required.

10.35 In the case of a nonresident, part-year resident, or a
10.36 person who has earned income not subject to tax under this
11.1 chapter including earned income excluded pursuant to section
11.2 290.01, subdivision 19b, clause (13), the credit determined
11.3 under section 21 of the Internal Revenue Code must be allocated
11.4 based on the ratio by which the earned income of the claimant
11.5 and the claimant's spouse from Minnesota sources bears to the
11.6 total earned income of the claimant and the claimant's spouse.

11.7 **[EFFECTIVE DATE.]** This section is effective for taxable
11.8 years beginning after December 31, 2003.

11.9 Sec. 8. Minnesota Statutes 2002, section 290.0671,
11.10 subdivision 1, is amended to read:

11.11 Subdivision 1. **[CREDIT ALLOWED.]** (a) An individual is
11.12 allowed a credit against the tax imposed by this chapter equal

11.13 to a percentage of earned income. To receive a credit, a
11.14 taxpayer must be eligible for a credit under section 32 of the
11.15 Internal Revenue Code.

11.16 (b) For individuals with no qualifying children, the credit
11.17 equals 1.9125 percent of the first \$4,620 of earned income. The
11.18 credit is reduced by 1.9125 percent of earned income or modified
11.19 adjusted gross income, whichever is greater, in excess of
11.20 \$5,770, but in no case is the credit less than zero.

11.21 (c) For individuals with one qualifying child, the credit
11.22 equals 8.5 percent of the first \$6,920 of earned income and 8.5
11.23 percent of earned income over \$12,080 but less than \$13,450.
11.24 The credit is reduced by 5.73 percent of earned income or
11.25 modified adjusted gross income, whichever is greater, in excess
11.26 of \$15,080, but in no case is the credit less than zero.

11.27 (d) For individuals with two or more qualifying children,
11.28 the credit equals ten percent of the first \$9,720 of earned
11.29 income and 20 percent of earned income over \$14,860 but less
11.30 than \$16,800. The credit is reduced by 10.3 percent of earned
11.31 income or modified adjusted gross income, whichever is greater,
11.32 in excess of \$17,890, but in no case is the credit less than
11.33 zero.

11.34 (e) For a nonresident or part-year resident, the credit
11.35 must be allocated based on the percentage calculated under
11.36 section 290.06, subdivision 2c, paragraph (e).

12.1 (f) For a person who was a resident for the entire tax year
12.2 and has earned income not subject to tax under this
12.3 chapter including income excluded under section 290.01,
12.4 subdivision 19b, clause (13), the credit must be allocated based
12.5 on the ratio of federal adjusted gross income reduced by the
12.6 earned income not subject to tax under this chapter over federal
12.7 adjusted gross income.

12.8 (g) For tax years beginning after December 31, 2001, and
12.9 before December 31, 2004, the \$5,770 in paragraph (b) is
12.10 increased to \$6,770, the \$15,080 in paragraph (c) is increased
12.11 to \$16,080, and the \$17,890 in paragraph (d) is increased to
12.12 \$18,890 for married taxpayers filing joint returns.

12.13 (h) For tax years beginning after December 31, 2004, and
12.14 before December 31, 2007, the \$5,770 in paragraph (b) is
12.15 increased to \$7,770, the \$15,080 in paragraph (c) is increased
12.16 to \$17,080, and the \$17,890 in paragraph (d) is increased to
12.17 \$19,890 for married taxpayers filing joint returns.

12.18 (i) For tax years beginning after December 31, 2007, and
12.19 before December 31, 2010, the \$5,770 in paragraph (b) is
12.20 increased to \$8,770, the \$15,080 in paragraph (c) is increased
12.21 to \$18,080 and the \$17,890 in paragraph (d) is increased to
12.22 \$20,890 for married taxpayers filing joint returns.

12.23 (j) The commissioner shall construct tables showing the
12.24 amount of the credit at various income levels and make them
12.25 available to taxpayers. The tables shall follow the schedule
12.26 contained in this subdivision, except that the commissioner may
12.27 graduate the transition between income brackets.

12.28 **[EFFECTIVE DATE.]** This section is effective for taxable
12.29 years beginning after December 31, 2003.

12.30 Sec. 9. Minnesota Statutes 2002, section 290.091,
12.31 subdivision 2, is amended to read:

12.32 Subd. 2. [DEFINITIONS.] For purposes of the tax imposed by
12.33 this section, the following terms have the meanings given:

12.34 (a) "Alternative minimum taxable income" means the sum of
12.35 the following for the taxable year:

12.36 (1) the taxpayer's federal alternative minimum taxable

13.1 income as defined in section 55(b)(2) of the Internal Revenue
13.2 Code;
13.3 (2) the taxpayer's itemized deductions allowed in computing
13.4 federal alternative minimum taxable income, but excluding:
13.5 (i) the charitable contribution deduction under section 170
13.6 of the Internal Revenue Code to the extent that the deduction
13.7 exceeds 1.3 percent of adjusted gross income, as defined in
13.8 section 62 of the Internal Revenue Code;
13.9 (ii) the medical expense deduction;
13.10 (iii) the casualty, theft, and disaster loss deduction; and
13.11 (iv) the impairment-related work expenses of a disabled
13.12 person;
13.13 (3) for depletion allowances computed under section 613A(c)
13.14 of the Internal Revenue Code, with respect to each property (as
13.15 defined in section 614 of the Internal Revenue Code), to the
13.16 extent not included in federal alternative minimum taxable
13.17 income, the excess of the deduction for depletion allowable
13.18 under section 611 of the Internal Revenue Code for the taxable
13.19 year over the adjusted basis of the property at the end of the
13.20 taxable year (determined without regard to the depletion
13.21 deduction for the taxable year);
13.22 (4) to the extent not included in federal alternative
13.23 minimum taxable income, the amount of the tax preference for
13.24 intangible drilling cost under section 57(a)(2) of the Internal
13.25 Revenue Code determined without regard to subparagraph (E);
13.26 (5) to the extent not included in federal alternative
13.27 minimum taxable income, the amount of interest income as
13.28 provided by section 290.01, subdivision 19a, clause (1); and
13.29 (6) the amount of addition required by section 290.01,
13.30 subdivision 19a, clause (7);
13.31 less the sum of the amounts determined under the following:
13.32 (1) interest income as defined in section 290.01,
13.33 subdivision 19b, clause (1);
13.34 (2) an overpayment of state income tax as provided by
13.35 section 290.01, subdivision 19b, clause (2), to the extent
13.36 included in federal alternative minimum taxable income;
14.1 (3) the amount of investment interest paid or accrued
14.2 within the taxable year on indebtedness to the extent that the
14.3 amount does not exceed net investment income, as defined in
14.4 section 163(d)(4) of the Internal Revenue Code. Interest does
14.5 not include amounts deducted in computing federal adjusted gross
14.6 income; and
14.7 (4) amounts subtracted from federal taxable income as
14.8 provided by section 290.01, subdivision 19b, ~~clause~~ clauses (12)
14.9 and (13).
14.10 In the case of an estate or trust, alternative minimum
14.11 taxable income must be computed as provided in section 59(c) of
14.12 the Internal Revenue Code.
14.13 (b) "Investment interest" means investment interest as
14.14 defined in section 163(d)(3) of the Internal Revenue Code.
14.15 (c) "Tentative minimum tax" equals 6.4 percent of
14.16 alternative minimum taxable income after subtracting the
14.17 exemption amount determined under subdivision 3.
14.18 (d) "Regular tax" means the tax that would be imposed under
14.19 this chapter (without regard to this section and section
14.20 290.032), reduced by the sum of the nonrefundable credits
14.21 allowed under this chapter.
14.22 (e) "Net minimum tax" means the minimum tax imposed by this
14.23 section.
14.24 **[EFFECTIVE DATE.]** This section is effective for taxable

14.25 years beginning after December 31, 2003.

14.26 Sec. 10. Minnesota Statutes 2002, section 290.0921,
14.27 subdivision 3, is amended to read:

14.28 Subd. 3. [ALTERNATIVE MINIMUM TAXABLE INCOME.]

14.29 "Alternative minimum taxable income" is Minnesota net income as
14.30 defined in section 290.01, subdivision 19, and includes the
14.31 adjustments and tax preference items in sections 56, 57, 58, and
14.32 59(d), (e), (f), and (h) of the Internal Revenue Code. If a
14.33 corporation files a separate company Minnesota tax return, the
14.34 minimum tax must be computed on a separate company basis. If a
14.35 corporation is part of a tax group filing a unitary return, the
14.36 minimum tax must be computed on a unitary basis. The following
15.1 adjustments must be made.

15.2 (1) For purposes of the depreciation adjustments under
15.3 section 56(a)(1) and 56(g)(4)(A) of the Internal Revenue Code,
15.4 the basis for depreciable property placed in service in a
15.5 taxable year beginning before January 1, 1990, is the adjusted
15.6 basis for federal income tax purposes, including any
15.7 modification made in a taxable year under section 290.01,
15.8 subdivision 19e, or Minnesota Statutes 1986, section 290.09,
15.9 subdivision 7, paragraph (c).

15.10 For taxable years beginning after December 31, 2000, the
15.11 amount of any remaining modification made under section 290.01,
15.12 subdivision 19e, or Minnesota Statutes 1986, section 290.09,
15.13 subdivision 7, paragraph (c), not previously deducted is a
15.14 depreciation allowance in the first taxable year after December
15.15 31, 2000.

15.16 (2) The portion of the depreciation deduction allowed for
15.17 federal income tax purposes under section 168(k) of the Internal
15.18 Revenue Code that is required as an addition under section
15.19 290.01, subdivision 19c, clause (16), is disallowed in
15.20 determining alternative minimum taxable income.

15.21 (3) The subtraction for depreciation allowed under section
15.22 290.01, subdivision 19d, clause (19), is allowed as a
15.23 depreciation deduction in determining alternative minimum
15.24 taxable income.

15.25 (4) The alternative tax net operating loss deduction under
15.26 sections 56(a)(4) and 56(d) of the Internal Revenue Code does
15.27 not apply.

15.28 (5) The special rule for certain dividends under section
15.29 56(g)(4)(C)(ii) of the Internal Revenue Code does not apply.

15.30 (6) The special rule for dividends from section 936
15.31 companies under section 56(g)(4)(C)(iii) does not apply.

15.32 (7) The tax preference for depletion under section 57(a)(1)
15.33 of the Internal Revenue Code does not apply.

15.34 (8) The tax preference for intangible drilling costs under
15.35 section 57(a)(2) of the Internal Revenue Code must be calculated
15.36 without regard to subparagraph (E) and the subtraction under
16.1 section 290.01, subdivision 19d, clause (4).

16.2 (9) The tax preference for tax exempt interest under
16.3 section 57(a)(5) of the Internal Revenue Code does not apply.

16.4 (10) The tax preference for charitable contributions of
16.5 appreciated property under section 57(a)(6) of the Internal
16.6 Revenue Code does not apply.

16.7 (11) For purposes of calculating the tax preference for
16.8 accelerated depreciation or amortization on certain property
16.9 placed in service before January 1, 1987, under section 57(a)(7)
16.10 of the Internal Revenue Code, the deduction allowable for the
16.11 taxable year is the deduction allowed under section 290.01,
16.12 subdivision 19e.

16.13 For taxable years beginning after December 31, 2000, the
 16.14 amount of any remaining modification made under section 290.01,
 16.15 subdivision 19e, not previously deducted is a depreciation or
 16.16 amortization allowance in the first taxable year after December
 16.17 31, 2004.

16.18 (12) For purposes of calculating the adjustment for
 16.19 adjusted current earnings in section 56(g) of the Internal
 16.20 Revenue Code, the term "alternative minimum taxable income" as
 16.21 it is used in section 56(g) of the Internal Revenue Code, means
 16.22 alternative minimum taxable income as defined in this
 16.23 subdivision, determined without regard to the adjustment for
 16.24 adjusted current earnings in section 56(g) of the Internal
 16.25 Revenue Code.

16.26 (13) For purposes of determining the amount of adjusted
 16.27 current earnings under section 56(g)(3) of the Internal Revenue
 16.28 Code, no adjustment shall be made under section 56(g)(4) of the
 16.29 Internal Revenue Code with respect to (i) the amount of foreign
 16.30 dividend gross-up subtracted as provided in section 290.01,
 16.31 subdivision 19d, clause (1), (ii) the amount of refunds of
 16.32 income, excise, or franchise taxes subtracted as provided in
 16.33 section 290.01, subdivision 19d, clause (10), or (iii) the
 16.34 amount of royalties, fees or other like income subtracted as
 16.35 provided in section 290.01, subdivision 19d, clause (11).

16.36 (14) Alternative minimum taxable income excludes the income
 17.1 from operating in a job opportunity building zone as provided
 17.2 under section 469.317.

17.3 Items of tax preference must not be reduced below zero as a
 17.4 result of the modifications in this subdivision.

17.5 **[EFFECTIVE DATE.]** This section is effective for taxable
 17.6 years beginning after December 31, 2003.

17.7 Sec. 11. Minnesota Statutes 2002, section 290.0922,
 17.8 subdivision 2, is amended to read:

17.9 Subd. 2. **[EXEMPTIONS.]** The following entities are exempt
 17.10 from the tax imposed by this section:

17.11 (1) corporations exempt from tax under section 290.05;

17.12 (2) real estate investment trusts;

17.13 (3) regulated investment companies or a fund thereof; and

17.14 (4) entities having a valid election in effect under
 17.15 section 860D(b) of the Internal Revenue Code;

17.16 (5) town and farmers' mutual insurance companies; and

17.17 (6) cooperatives organized under chapter 308A that provide

17.18 housing exclusively to persons age 55 and over and are

17.19 classified as homesteads under section 273.124, subdivision 3;

17.20 and

17.21 (7) an entity, if for the taxable year all of its property

17.22 is located in a job opportunity building zone designated under

17.23 section 469.314 and all of its payroll is a job opportunity

17.24 building zone payroll under section 469.310.

17.25 Entities not specifically exempted by this subdivision are

17.26 subject to tax under this section, notwithstanding section

17.27 290.05.

17.28 **[EFFECTIVE DATE.]** This section is effective for taxable
 17.29 years beginning after December 31, 2003.

17.30 Sec. 12. Minnesota Statutes 2002, section 290.0922,
 17.31 subdivision 3, is amended to read:

17.32 Subd. 3. **[DEFINITIONS.]** (a) "Minnesota sales or receipts"

17.33 means the total sales apportioned to Minnesota pursuant to

17.34 section 290.191, subdivision 5, the total receipts attributed to

17.35 Minnesota pursuant to section 290.191, subdivisions 6 to 8,

17.36 and/or the total sales or receipts apportioned or attributed to

*AMT excludes
income from ops
in a JOBZ*

*2. income
tax exemption
w/ 71.26(1)(g)*

18.1 Minnesota pursuant to any other apportionment formula applicable
18.2 to the taxpayer.

18.3 (b) "Minnesota property" means total Minnesota tangible
18.4 property as provided in section 290.191, subdivisions 9 to 11,
18.5 and any other tangible property located in Minnesota, but does
18.6 not include property located in a job opportunity building zone
18.7 designated under section 469.314. Intangible property shall not
18.8 be included in Minnesota property for purposes of this section.
18.9 Taxpayers who do not utilize tangible property to apportion
18.10 income shall nevertheless include Minnesota property for
18.11 purposes of this section. On a return for a short taxable year,
18.12 the amount of Minnesota property owned, as determined under
18.13 section 290.191, shall be included in Minnesota property based
18.14 on a fraction in which the numerator is the number of days in
18.15 the short taxable year and the denominator is 365.

18.16 (c) "Minnesota payrolls" means total Minnesota payrolls as
18.17 provided in section 290.191, subdivision 12, but does not
18.18 include job opportunity building zone payrolls under section
18.19 469.310, subdivision 8. Taxpayers who do not utilize payrolls
18.20 to apportion income shall nevertheless include Minnesota
18.21 payrolls for purposes of this section.

18.22 **[EFFECTIVE DATE.]** This section is effective for taxable
18.23 years beginning after December 31, 2003.

18.24 Sec. 13. Minnesota Statutes 2002, section 297A.68, is
18.25 amended by adding a subdivision to read:

18.26 Subd. 37. [JOB OPPORTUNITY BUILDING ZONES.] (a) Purchases
18.27 of tangible personal property or taxable services by a qualified
18.28 business, as defined in section 469.310, are exempt if the
18.29 property or services are primarily used or consumed in a job
18.30 opportunity building zone designated under section 469.314.

18.31 (b) Purchase and use of construction materials and supplies
18.32 for construction of improvements to real property in a job
18.33 opportunity building zone are exempt if the improvements after
18.34 completion of construction are to be used in the conduct of a
18.35 qualified business, as defined in section 469.310. This
18.36 exemption applies regardless of whether the purchases are made
19.1 by the business or a contractor.

19.2 (c) The exemptions under this subdivision apply to a local
19.3 sales and use tax regardless of whether the local sales tax is
19.4 imposed on the sales taxable as defined under this chapter.

19.5 (d) This subdivision applies to sales, if the purchase was
19.6 made and delivery received during the duration of the zone.

19.7 **[EFFECTIVE DATE.]** This section is effective for sales made
19.8 on or after the day following final enactment.

19.9 Sec. 14. Minnesota Statutes 2002, section 297B.03, is
19.10 amended to read:

19.11 297B.03 [EXEMPTIONS.]

19.12 There is specifically exempted from the provisions of this
19.13 chapter and from computation of the amount of tax imposed by it
19.14 the following:

19.15 (1) purchase or use, including use under a lease purchase
19.16 agreement or installment sales contract made pursuant to section
19.17 465.71, of any motor vehicle by the United States and its
19.18 agencies and instrumentalities and by any person described in
19.19 and subject to the conditions provided in section 297A.67,
19.20 subdivision 11;

19.21 (2) purchase or use of any motor vehicle by any person who
19.22 was a resident of another state or country at the time of the
19.23 purchase and who subsequently becomes a resident of Minnesota,
19.24 provided the purchase occurred more than 60 days prior to the

*JOBZ
sales & use tax
exemption*

19.25 date such person began residing in the state of Minnesota and
 19.26 the motor vehicle was registered in the person's name in the
 19.27 other state or country;

19.28 (3) purchase or use of any motor vehicle by any person
 19.29 making a valid election to be taxed under the provisions of
 19.30 section 297A.90;

19.31 (4) purchase or use of any motor vehicle previously
 19.32 registered in the state of Minnesota when such transfer
 19.33 constitutes a transfer within the meaning of section 118, 331,
 19.34 332, 336, 337, 338, 351, 355, 368, 721, 731, 1031, 1033, or
 19.35 1563(a) of the Internal Revenue Code of 1986, as amended through
 19.36 December 31, 1999;

20.1 (5) purchase or use of any vehicle owned by a resident of
 20.2 another state and leased to a Minnesota based private or for
 20.3 hire carrier for regular use in the transportation of persons or
 20.4 property in interstate commerce provided the vehicle is titled
 20.5 in the state of the owner or secured party, and that state does
 20.6 not impose a sales tax or sales tax on motor vehicles used in
 20.7 interstate commerce;

20.8 (6) purchase or use of a motor vehicle by a private
 20.9 nonprofit or public educational institution for use as an
 20.10 instructional aid in automotive training programs operated by
 20.11 the institution. "Automotive training programs" includes motor
 20.12 vehicle body and mechanical repair courses but does not include
 20.13 driver education programs;

20.14 (7) purchase of a motor vehicle for use as an ambulance by
 20.15 an ambulance service licensed under section 144E.10;

20.16 (8) purchase of a motor vehicle by or for a public library,
 20.17 as defined in section 134.001, subdivision 2, as a bookmobile or
 20.18 library delivery vehicle;

20.19 (9) purchase of a ready-mixed concrete truck;

20.20 (10) purchase or use of a motor vehicle by a town for use
 20.21 exclusively for road maintenance, including snowplows and dump
 20.22 trucks, but not including automobiles, vans, or pickup trucks;

20.23 (11) purchase or use of a motor vehicle by a corporation,
 20.24 society, association, foundation, or institution organized and
 20.25 operated exclusively for charitable, religious, or educational
 20.26 purposes, except a public school, university, or library, but
 20.27 only if the vehicle is:

20.28 (i) a truck, as defined in section 168.011, a bus, as
 20.29 defined in section 168.011, or a passenger automobile, as
 20.30 defined in section 168.011, if the automobile is designed and
 20.31 used for carrying more than nine persons including the driver;
 20.32 and

20.33 (ii) intended to be used primarily to transport tangible
 20.34 personal property or individuals, other than employees, to whom
 20.35 the organization provides service in performing its charitable,
 20.36 religious, or educational purpose;

21.1 (12) purchase of a motor vehicle for use by a transit
 21.2 provider exclusively to provide transit service is exempt if the
 21.3 transit provider is either (i) receiving financial assistance or
 21.4 reimbursement under section 174.24 or 473.384, or (ii) operating
 21.5 under section 174.29, 473.388, or 473.405;

21.6 (13) purchase or use of a motor vehicle by a qualified
 21.7 business, as defined in section 469.310, located in a job
 21.8 opportunity building zone, if the motor vehicle is principally
 21.9 garaged in the job opportunity building zone and is primarily
 21.10 used as part of or in direct support of the person's operations
 21.11 carried on in the job opportunity building zone. The exemption
 21.12 under this clause applies to sales, if the purchase was made and

*JOBZ
 related use exemption
 for motor
 vehicles*

21.13 delivery received during the duration of the job opportunity
 21.14 building zone. The exemption under this clause also applies to
 21.15 any local sales and use tax.
 21.16 **[EFFECTIVE DATE.]** This section is effective for sales made
 21.17 after December 31, 2003.
 21.18 Sec. 15. [469.310] [DEFINITIONS.]
 21.19 Subdivision 1. [SCOPE.] For purposes of sections 469.310
 21.20 to 469.320, the following terms have the meanings given.
 21.21 Subd. 2. [AGRICULTURAL PROCESSING FACILITY.] "Agricultural
 21.22 processing facility" means one or more facilities or operations
 21.23 that transform, package, sort, or grade livestock or livestock
 21.24 products, agricultural commodities, or plants or plant products
 21.25 into goods that are used for intermediate or final consumption
 21.26 including goods for nonfood use, and surrounding property.
 21.27 Subd. 3. [APPLICANT.] "Applicant" means a local government
 21.28 unit or units applying for designation of an area as a job
 21.29 opportunity building zone or a joint powers board, established
 21.30 under section 471.59, acting on behalf of two or more local
 21.31 government units.
 21.32 Subd. 4. [COMMISSIONER.] "Commissioner" means the
 21.33 commissioner of trade and economic development.
 21.34 Subd. 5. [DEVELOPMENT PLAN.] "Development plan" means a
 21.35 plan meeting the requirements of section 469.311.
 21.36 Subd. 6. [JOB OPPORTUNITY BUILDING ZONE OR ZONE.] "Job
 22.1 opportunity building zone" or "zone" means a zone designated by
 22.2 the commissioner under section 469.314, and includes an
 22.3 agricultural processing facility zone.
 22.4 Subd. 7. [JOB OPPORTUNITY BUILDING ZONE PERCENTAGE OR ZONE
 22.5 PERCENTAGE.] "Job opportunity building zone percentage" or "zone
 22.6 percentage" means the following fraction reduced to a percentage:
 22.7 (1) the numerator of the fraction is:
 22.8 (i) the ratio of the taxpayer's property factor under
 22.9 section 290.191 located in the zone for the taxable year over
 22.10 the property factor numerator determined under section 290.191,
 22.11 plus
 22.12 (ii) the ratio of the taxpayer's job opportunity building
 22.13 zone payroll factor under subdivision 8 over the payroll factor
 22.14 numerator determined under section 290.191; and
 22.15 (2) the denominator of the fraction is two.
 22.16 When calculating the zone percentage for a business that is
 22.17 part of a unitary business as defined under section 290.17,
 22.18 subdivision 4, the denominator of the payroll and property
 22.19 factors is the Minnesota payroll and property of the unitary
 22.20 business as reported on the combined report under section
 22.21 290.17, subdivision 4, paragraph (j).
 22.22 Subd. 8. [JOB OPPORTUNITY BUILDING ZONE PAYROLL
 22.23 FACTOR.] "Job opportunity building zone payroll factor" or "job
 22.24 opportunity building zone payroll" is that portion of the
 22.25 payroll factor under section 290.191 that represents:
 22.26 (1) wages or salaries paid to an individual for services
 22.27 performed in a job opportunity building zone; or
 22.28 (2) wages or salaries paid to individuals working from
 22.29 offices within a job opportunity building zone if their
 22.30 employment requires them to work outside the zone and the work
 22.31 is incidental to the work performed by the individual within the
 22.32 zone.
 22.33 Subd. 9. [LOCAL GOVERNMENT UNIT.] "Local government unit"
 22.34 means a statutory or home rule charter city, county, town, iron
 22.35 range resources and rehabilitation agency, regional development
 22.36 commission, or a federally designated economic development

*in all, property
& payroll
factor will
be eliminated
after 2007*

*Have entities
to continue to
calculate and
factor for
purposes of
this proposal?
(under 71.04
(5) and (6)
2003, stat.,
for example)*

23.1 district.

23.2 Subd. 10. [PERSON.] "Person" includes an individual,
23.3 corporation, partnership, limited liability company,
23.4 association, or any other entity.

23.5 Subd. 11. [QUALIFIED BUSINESS.] (a) "Qualified business"
23.6 means a person carrying on a trade or business at a place of
23.7 business located within a job opportunity building zone.

23.8 (b) A person that relocates a trade or business from
23.9 outside a job opportunity building zone into a zone is not a
23.10 qualified business, unless the business:

23.11 (1)(i) increases full-time employment in the first full
23.12 year of operation within the job opportunity building zone by at
23.13 least 20 percent measured relative to the operations that were
23.14 relocated and maintains the required level of employment for
23.15 each year the zone designation applies; or

23.16 (ii) makes a capital investment in the property located
23.17 within a zone equivalent to ten percent of the gross revenues of
23.18 operation that were relocated in the immediately preceding
23.19 taxable year; and

23.20 (2) enters a binding written agreement with the
23.21 commissioner that:

23.22 (i) pledges the business will meet the requirements of
23.23 clause (1);

23.24 (ii) provides for repayment of all tax benefits enumerated
23.25 under section 469.315 to the business under the procedures in
23.26 section 469.319, if the requirements of clause (1) are not met
23.27 for the taxable year or for taxes payable during the year in
23.28 which the requirements were not met; and

23.29 (iii) contains any other terms the commissioner determines
23.30 appropriate.

23.31 Subd. 12. [RELOCATES.] (a) "Relocates" means that the
23.32 trade or business:

23.33 (1) ceases one or more operations or functions at another
23.34 location in Minnesota and begins performing substantially the
23.35 same operations or functions at a location in a job opportunity
23.36 building zone; or

24.1 (2) reduces employment at another location in Minnesota
24.2 during a period starting one year before and ending one year
24.3 after it begins operations in a job opportunity building zone
24.4 and its employees in the job opportunity building zone are
24.5 engaged in the same line of business as the employees at the
24.6 location where it reduced employment.

24.7 (b) "Relocate" does not include an expansion by a business
24.8 that establishes a new facility that does not replace or
24.9 supplant an existing operation or employment, in whole or in
24.10 part.

24.11 (c) "Trade or business" includes any business entity that
24.12 is substantially similar in operation or ownership to the
24.13 business entity seeking to be a qualified business under this
24.14 section.

24.15 [EFFECTIVE DATE.] This section is effective the day
24.16 following final enactment.

24.17 Sec. 16. [469.311] [DEVELOPMENT PLAN.]

24.18 (a) An applicant for designation of a job opportunity
24.19 building zone must adopt a written development plan for the zone
24.20 before submitting the application to the commissioner.

24.21 (b) The development plan must contain, at least, the
24.22 following:

24.23 (1) a map of the proposed zone that indicates the
24.24 geographic boundaries of the zone, the total area, and present

definition

qualified business

commerce

COMMERCE REQUIREMENTS

24.25 use and conditions generally of the land and structures within
 24.26 those boundaries;
 24.27 (2) evidence of community support and commitment from local
 24.28 government, local workforce investment boards, school districts,
 24.29 and other education institutions, business groups, and the
 24.30 public;
 24.31 (3) a description of the methods proposed to increase
 24.32 economic opportunity and expansion, facilitate infrastructure
 24.33 improvement, reduce the local regulatory burden, and identify
 24.34 job-training opportunities;
 24.35 (4) current social, economic, and demographic
 24.36 characteristics of the proposed zone and anticipated
 25.1 improvements in education, health, human services, and
 25.2 employment if the zone is created;
 25.3 (5) a description of anticipated activity in the zone and
 25.4 each subzone, including, but not limited to, industrial use,
 25.5 industrial site reuse, commercial or retail use, and residential
 25.6 use; and
 25.7 (6) any other information required by the commissioner.
 25.8 **[EFFECTIVE DATE.]** This section is effective the day
 25.9 following final enactment.
 25.10 Sec. 17. [469.312] [JOB OPPORTUNITY BUILDING ZONES;
 25.11 LIMITATIONS.]
 25.12 Subdivision 1. [MAXIMUM SIZE.] A job opportunity building
 25.13 zone may not exceed 5,000 acres. For a zone designated as an
 25.14 agricultural processing facility zone, the zone also may not
 25.15 exceed the size of a site necessary for the agricultural
 25.16 processing facility, including ancillary operations and space
 25.17 for expansion in the reasonably foreseeable future.
 25.18 Subd. 2. [SUBZONES.] The area of a job opportunity
 25.19 building zone may consist of one or more noncontiguous areas or
 25.20 subzones.
 25.21 Subd. 3. [OUTSIDE METROPOLITAN AREA.] The area of a job
 25.22 opportunity building zone must be located outside of the
 25.23 metropolitan area, as defined in section 473.121, subdivision 2.
 25.24 Subd. 4. [BORDER CITY DEVELOPMENT ZONES.] (a) The area of
 25.25 a job opportunity building zone may not include the area of a
 25.26 border city development zone designated under section 469.1731.
 25.27 The city may remove property from a border city development zone
 25.28 contingent upon the area being designated as a job opportunity
 25.29 building zone. Before removing a parcel of property from a
 25.30 border city development zone, the city must obtain the written
 25.31 consent to the removal from each recipient that is located on
 25.32 the parcel and receives incentives under the border city
 25.33 development zone. Consent of any other property owner or
 25.34 taxpayer in the border city development zone is not required.
 25.35 (b) A city may not provide tax incentives under section
 25.36 469.1734 to individuals or businesses for operations or activity
 26.1 in a job opportunity building zone.
 26.2 Subd. 5. [DURATION LIMIT.] The maximum duration of a zone
 26.3 is 12 years. The applicant may request a shorter duration. The
 26.4 commissioner may specify a shorter duration, regardless of the
 26.5 requested duration.
 26.6 **[EFFECTIVE DATE.]** This section is effective the day
 26.7 following final enactment.
 26.8 Sec. 18. [469.313] [APPLICATION FOR DESIGNATION.]
 26.9 Subdivision 1. [WHO MAY APPLY.] One or more local
 26.10 government units, or a joint powers board under section 471.59,
 26.11 acting on behalf of two or more units, may apply for designation
 26.12 of an area as a job opportunity building zone. All or part of

*designating
the zone*

*most of this
probably won't
apply*

*max 12 yrs
duration*

26.13 the area proposed for designation as a zone must be located
 26.14 within the boundaries of each of the governmental units. A
 26.15 local government unit may not submit or have submitted on its
 26.16 behalf more than one application for designation of a job
 26.17 opportunity building zone.

26.18 Subd. 2. [APPLICATION CONTENT.] The application must
 26.19 include:

26.20 (1) a development plan meeting the requirements of section
 26.21 469.311;

26.22 (2) the proposed duration of the zone, not to exceed 12
 26.23 years;

26.24 (3) a resolution or ordinance adopted by each of the cities
 26.25 or towns and the counties in which the zone is located, agreeing
 26.26 to provide all of the local tax exemptions provided under
 26.27 section 469.315;

26.28 (4) if the proposed zone includes area in a border city
 26.29 development zone, written consent to removal of the property
 26.30 from the border city development zone to the extent required by
 26.31 section 469.312, subdivision 4;

26.32 (5) an agreement by the applicant to treat incentives
 26.33 provided under the zone designation as business subsidies under
 26.34 sections 116J.993 to 116J.995 and to comply with the
 26.35 requirements of that law; and

26.36 (6) supporting evidence to allow the commissioner to
 27.1 evaluate the application under the criteria in section 469.314.

27.2 [EFFECTIVE DATE.] This section is effective the day
 27.3 following final enactment.

27.4 Sec. 19. [469.314] [DESIGNATION OF JOB OPPORTUNITY
 27.5 BUILDING ZONES.]

27.6 Subdivision 1. [COMMISSIONER TO DESIGNATE.] (a) The
 27.7 commissioner, in consultation with the commissioner of revenue,
 27.8 shall designate not more than ten job opportunity building
 27.9 zones. In making the designations, the commissioner shall
 27.10 consider need and likelihood of success to yield the most
 27.11 economic development and revitalization of economically
 27.12 distressed rural areas of Minnesota. *Rural areas probably don't apply*

27.13 (b) In addition to the designations under paragraph (a),
 27.14 the commissioner may, in consultation with the commissioners of
 27.15 agriculture and revenue, designate up to five agricultural
 27.16 processing facility zones.

27.17 (c) The commissioner may, upon designation of a zone,
 27.18 modify the development plan, including the boundaries of the
 27.19 zone or subzones, if in the commissioner's opinion a modified
 27.20 plan would better meet the objectives of the job opportunity
 27.21 building zone program. The commissioner shall notify the
 27.22 applicant of the modification and provide a statement of the
 27.23 reasons for the modifications.

27.24 Subd. 2. [NEED INDICATORS.] (a) In evaluating applications
 27.25 to determine the need for designation of a job opportunity
 27.26 building zone, the commissioner shall consider the following
 27.27 factors as indicators of need:

27.28 (1) the percentage of the population that is below 200
 27.29 percent of the poverty rate, compared with the state as a whole;

27.30 (2) the extent to which the area's average weekly wage is
 27.31 significantly lower than the state average weekly wage;

27.32 (3) the amount of property in or near the proposed zone
 27.33 that is deteriorated or underutilized;

27.34 (4) the extent to which the median sale price of housing
 27.35 units in the area is below the state median;

27.36 (5) the extent to which the median household income of the

10 zones

*any include or
eg zone
under current
the law?*

criteria

rule
con A

- 28.1 area is lower than the state median household income;
28.2 (6) the extent to which the area experienced a population
28.3 loss during the 20-year period ending the year before the
28.4 application is made;
28.5 (7) the extent to which an area has experienced sudden or
28.6 severe job loss as a result of closing of businesses or other
28.7 employers;
28.8 (8) the extent to which property in the area would remain
28.9 underdeveloped or nonperforming due to physical characteristics;
28.10 (9) the extent to which the area has substantial real
28.11 property with adequate infrastructure and energy to support new
28.12 or expanded development; and
28.13 (10) the extent to which the business startup or expansion
28.14 rates are significantly lower than the respective rate for the
28.15 state.
28.16 (b) In applying the need indicators, the best available
28.17 data should be used. If reported data are not available for the
28.18 proposed zone, data for the smallest area that is available and
28.19 includes the area of the proposed zone may be used. The
28.20 commissioner may require applicants to provide data to
28.21 demonstrate how the area meets one or more of the indicators of
28.22 need.
28.23 Subd. 3. [SUCCESS INDICATORS.] In determining the
28.24 likelihood of success of a proposed zone, the commissioner shall
28.25 consider:
28.26 (1) the strength and viability of the proposed development
28.27 goals, objectives, and strategies in the development plan;
28.28 (2) whether the development plan is creative and innovative
28.29 in comparison to other applications;
28.30 (3) local public and private commitment to development of
28.31 the proposed zone and the potential cooperation of surrounding
28.32 communities;
28.33 (4) existing resources available to the proposed zone;
28.34 (5) how the designation of the zone would relate to other
28.35 economic and community development projects and to regional
28.36 initiatives or programs;
29.1 (6) how the regulatory burden will be eased for businesses
29.2 operating in the proposed zone;
29.3 (7) proposals to establish and link job creation and job
29.4 training; and
29.5 (8) the extent to which the development is directed at
29.6 encouraging and that designation of the zone is likely to result
29.7 in the creation of high-paying jobs.
29.8 Subd. 4. [DESIGNATION SCHEDULE.] (a) The schedule in
29.9 paragraphs (b) to (f) applies to the designation of job
29.10 opportunity building zones.
29.11 (b) The commissioner shall publish the form for
29.12 applications and any procedural, form, or content requirements
29.13 for applications by no later than August 1, 2003. The
29.14 commissioner may publish these requirements on the Internet, in
29.15 the State Register, or by any other means the commissioner
29.16 determines appropriate to disseminate the information to
29.17 potential applicants for designation.
29.18 (c) Applications must be submitted by October 15, 2003.
29.19 (d) The commissioner shall designate the zones by no later
29.20 than December 31, 2003.
29.21 (e) The designation of the zones takes effect January 1,
29.22 2004.
29.23 (f) The commissioner may reserve one or more of the ten
29.24 authorized zones for a second round of designations in calendar

29.25 year 2004. If the commissioner chooses to reserve designations
 29.26 for this purpose, the commissioner shall establish the schedule
 29.27 for the second round of designations, notwithstanding the dates
 29.28 in paragraphs (c), (d), and (e). The commissioner shall allow a
 29.29 period of at least 90 days for submission of applications after
 29.30 notification of the second round. A zone designated in the
 29.31 second round takes effect on January 1, 2005.

29.32 Subd. 5. [GEOGRAPHIC DISTRIBUTION.] The commissioner shall
 29.33 have as a goal the geographic distribution of zones around the
 29.34 state.

29.35 Subd. 6. [RULEMAKING EXEMPTION.] The commissioner's
 29.36 actions in establishing procedures, requirements, and making
 30.1 determinations to administer sections 469.310 to 469.320 are not
 30.2 a rule for purposes of chapter 14 and are not subject to the
 30.3 Administrative Procedure Act contained in chapter 14 and are not
 30.4 subject to section 14.386.

30.5 [EFFECTIVE DATE.] This section is effective the day
 30.6 following final enactment.

30.7 Sec. 20. [469.315] [TAX INCENTIVES AVAILABLE IN ZONES.]

30.8 Qualified businesses that operate in a job opportunity
 30.9 building zone, individuals who invest in a qualified business
 30.10 that operates in a job opportunity building zone, and property
 30.11 located in a job opportunity building zone qualify for:

30.12 (1) exemption from individual income taxes as provided
 30.13 under section 469.316;

30.14 (2) exemption from corporate franchise taxes as provided
 30.15 under section 469.317;

30.16 (3) exemption from the state sales and use tax and any
 30.17 local sales and use taxes on qualifying purchases as provided in
 30.18 section 297A.68, subdivision 37;

30.19 (4) exemption from the state sales tax on motor vehicles
 30.20 and any local sales tax on motor vehicles as provided under
 30.21 section 297B.03;

30.22 (5) exemption from the property tax as provided in section
 30.23 272.02, subdivision 56;

30.24 (6) exemption from the wind energy production tax under
 30.25 section 272.029, subdivision 7; and

30.26 (7) the jobs credit allowed under section 469.318.

30.27 [EFFECTIVE DATE.] This section is effective the day
 30.28 following final enactment.

30.29 Sec. 21. [469.316] [INDIVIDUAL INCOME TAX EXEMPTION.]

30.30 Subdivision 1. [APPLICATION.] An individual operating a
 30.31 trade or business in a job opportunity building zone, and an
 30.32 individual making a qualifying investment in a qualified
 30.33 business operating in a job opportunity building zone qualifies
 30.34 for the exemptions from taxes imposed under chapter 290, as
 30.35 provided in this section. The exemptions provided under this
 30.36 section apply only to the extent that the income otherwise would
 31.1 be taxable under chapter 290. Subtractions under this section
 31.2 from federal taxable income, alternative minimum taxable income,
 31.3 or any other base subject to tax are limited to the amount that
 31.4 otherwise would be included in the tax base absent the exemption
 31.5 under this section. This section applies only to taxable years
 31.6 beginning during the duration of the job opportunity building
 31.7 zone.

31.8 Subd. 2. [RENTS.] An individual is exempt from the taxes
 31.9 imposed under chapter 290 on net rents derived from real or
 31.10 tangible personal property located in a zone for a taxable year
 31.11 in which the zone was designated a job opportunity building
 31.12 zone. If tangible personal property was used both within and

*designate
zones
throughout
state*

*JOBZ
tax
incentives*

MES ✓

31.13 outside of the zone, the exemption amount for the net rental
 31.14 income must be multiplied by a fraction, the numerator of which
 31.15 is the number of days the property was used in the zone and the
 31.16 denominator of which is the total days.

31.17 Subd. 3. [BUSINESS INCOME.] An individual is exempt from
 31.18 the taxes imposed under chapter 290 on net income from the
 31.19 operation of a qualified business in a job opportunity building
 31.20 zone. If the trade or business is carried on within and without
 31.21 the zone and the individual is not a resident of Minnesota, the
 31.22 exemption must be apportioned based on the zone percentage for
 31.23 the taxable year. If the trade or business is carried on within
 31.24 and without the zone and the individual is a resident of
 31.25 Minnesota, the exemption must be apportioned based on the zone
 31.26 percentage for the taxable year, except the ratios under section
 31.27 469.310, subdivision 7, clause (1), items (i) and (ii), must use
 31.28 the denominators of the property and payroll factors determined
 31.29 under section 290.191. No subtraction is allowed under this
 31.30 section in excess of 20 percent of the sum of the job
 31.31 opportunity building zone payroll and the adjusted basis of the
 31.32 property at the time that the property is first used in the job
 31.33 opportunity building zone by the business.

*income tax
exemption*

MES ✓

31.34 Subd. 4. [CAPITAL GAINS.] (a) An individual is exempt from
 31.35 the taxes imposed under chapter 290 on:

*cap. gain
exemption*

31.36 (1) net gain derived on a sale or exchange of real property
 32.1 located in the zone and used by a qualified business. If the
 32.2 property was held by the individual during a period when the
 32.3 zone was not designated, the gain must be prorated based on the
 32.4 percentage of time, measured in calendar days, that the real
 32.5 property was held by the individual during the period the zone
 32.6 designation was in effect to the total period of time the real
 32.7 property was held by the individual;

MES ✓

32.8 (2) net gain derived on a sale or exchange of tangible
 32.9 personal property used by a qualified business in the zone. If
 32.10 the property was held by the individual during a period when the
 32.11 zone was not designated, the gain must be prorated based on the
 32.12 percentage of time, measured in calendar days, that the property
 32.13 was held by the individual during the period the zone
 32.14 designation was in effect to the total period of time the
 32.15 property was held by the individual. If the tangible personal
 32.16 property was used outside of the zone during the period of the
 32.17 zone's designation, the exemption must be multiplied by a
 32.18 fraction, the numerator of which is the number of days the
 32.19 property was used in the zone during the time of the designation
 32.20 and the denominator of which is the total days the property was
 32.21 held during the time of the designation; and

32.22 (3) net gain derived on a sale of an ownership interest in
 32.23 a qualified business operating in the job opportunity building
 32.24 zone, meeting the requirements of paragraph (b). The exemption
 32.25 on the gain must be multiplied by the zone percentage of the
 32.26 business for the taxable year prior to the sale.

32.27 (b) A qualified business meets the requirements of
 32.28 paragraph (a), clause (3), if it is a corporation, an S
 32.29 corporation, or a partnership, and for the taxable year its job
 32.30 opportunity building zone percentage exceeds 25 percent. For
 32.31 purposes of paragraph (a), clause (3), the zone percentage must
 32.32 be calculated by modifying the ratios under section 469.310,
 32.33 subdivision 7, clause (1), items (i) and (ii), to use the
 32.34 denominators of the property and payroll factors determined
 32.35 under section 290.191. Upon the request of an individual
 32.36 holding an ownership interest in the entity, the entity must

33.1 certify to the owner, in writing, the job opportunity building
 33.2 zone percentage needed to determine the exemption.

33.3 **[EFFECTIVE DATE.]** This section is effective for taxable
 33.4 years beginning after December 31, 2003.

33.5 Sec. 22. [469.317] [CORPORATE FRANCHISE TAX EXEMPTION.]

33.6 (a) A qualified business is exempt from taxation under
 33.7 section 290.02, the alternative minimum tax under section
 33.8 290.0921, and the minimum fee under section 290.0922, on the
 33.9 portion of its income attributable to operations within the
 33.10 zone. This exemption is determined as follows:

33.11 (1) for purposes of the tax imposed under section 290.02,
 33.12 by multiplying its taxable net income by its zone percentage and
 33.13 subtracting the result in determining taxable income;

33.14 (2) for purposes of the alternative minimum tax under
 33.15 section 290.0921, by multiplying its alternative minimum taxable
 33.16 income by its zone percentage and reducing alternative minimum
 33.17 taxable income by this amount; and

33.18 (3) for purposes of the minimum fee under section 290.0922,
 33.19 by excluding property and payroll in the zone from the
 33.20 computations of the fee or by exempting the entity under section
 33.21 290.0922, subdivision 2, clause (7).

33.22 (b) No subtraction is allowed under this section in excess
 33.23 of 20 percent of the sum of the corporation's job opportunity
 33.24 building zone payroll and the adjusted basis of the property at
 33.25 the time that the property is first used in the job opportunity
 33.26 building zone by the corporation.

33.27 (c) This section applies only to taxable years beginning
 33.28 during the duration of the job opportunity building zone.

33.29 **[EFFECTIVE DATE.]** This section is effective for taxable
 33.30 years beginning after December 31, 2003.

33.31 Sec. 23. [469.318] [JOBS CREDIT.]

33.32 Subdivision 1. [CREDIT ALLOWED.] A qualified business is
 33.33 allowed a credit against the taxes imposed under chapter 290.
 33.34 The credit equals seven percent of the:

33.35 (1) lesser of:

33.36 (i) zone payroll for the taxable year, less the zone
 34.1 payroll for the base year; or

34.2 (ii) total Minnesota payroll for the taxable year, less
 34.3 total Minnesota payroll for the base year; minus

34.4 (2) \$30,000 multiplied by (the number of full-time
 34.5 equivalent employees that the qualified business employs in the
 34.6 job opportunity building zone for the taxable year, minus the
 34.7 number of full-time equivalent employees the business employed
 34.8 in the zone in the base year, but not less than zero).

34.9 Subd. 2. [DEFINITIONS.] (a) For purposes of this section,
 34.10 the following terms have the meanings given.

34.11 (b) "Base year" means the taxable year beginning during the
 34.12 calendar year prior to the calendar year in which the zone
 34.13 designation took effect.

34.14 (c) "Full-time equivalent employees" means the equivalent
 34.15 of annualized expected hours of work equal to 2,080 hours.

34.16 (d) "Minnesota payroll" means the wages or salaries
 34.17 attributed to Minnesota under section 290.191, subdivision 12,
 34.18 for the qualified business or the unitary business of which the
 34.19 qualified business is a part, whichever is greater.

34.20 (e) "Zone payroll" means wages or salaries used to
 34.21 determine the zone payroll factor for the qualified business,
 34.22 less the amount of compensation attributable to any employee
 34.23 that exceeds \$100,000.

34.24 Subd. 3. [INFLATION ADJUSTMENT.] For taxable years

JOBS Credit

34.25 beginning after December 31, 2004, the dollar amounts in
34.26 subdivision 1, clause (2), and subdivision 2, paragraph (e), are
34.27 annually adjusted for inflation. The commissioner of revenue
34.28 shall adjust the amounts by the percentage determined under
34.29 section 290.06, subdivision 2d, for the taxable year.

tax credit

34.30 Subd. 4. [REFUNDABLE.] If the amount of the credit exceeds
34.31 the liability for tax under chapter 290, the commissioner of
34.32 revenue shall refund the excess to the qualified business.

34.33 Subd. 5. [APPROPRIATION.] An amount sufficient to pay the
34.34 refunds authorized by this section is appropriated to the
34.35 commissioner of revenue from the general fund.

34.36 [EFFECTIVE DATE.] This section is effective for taxable
35.1 years beginning after December 31, 2003.

repayment

35.2 Sec. 24. [469.319] [REPAYMENT OF TAX BENEFITS.]

35.3 Subdivision 1. [REPAYMENT OBLIGATION.] A business must
35.4 repay the amount of the total tax reduction listed in section
35.5 469.315 and any refund under section 469.318 in excess of tax
35.6 liability, received during the two years immediately before it
35.7 ceased to operate in the zone, if the business:

35.8 (1) received tax reductions authorized by section 469.315;
35.9 and

35.10 (2)(i) did not meet the goals specified in an agreement
35.11 entered into with the applicant that states any obligation the
35.12 qualified business must fulfill in order to be eligible for tax
35.13 benefits. The commissioner may extend for up to one year the
35.14 period for meeting any goals provided in an agreement. The
35.15 applicant may extend the period for meeting other goals by
35.16 documenting in writing the reason for the extension and
35.17 attaching a copy of the document to its next annual report to
35.18 the commissioner; or

35.19 (ii) ceased to operate its facility located within the job
35.20 opportunity building zone or otherwise ceases to be or is not a
35.21 qualified business.

35.22 Subd. 2. [DEFINITIONS.] (a) For purposes of this section,
35.23 the following terms have the meanings given.

35.24 (b) "Business" means any person who received tax benefits
35.25 enumerated in section 469.315.

35.26 (c) "Commissioner" means the commissioner of revenue.

35.27 Subd. 3. [DISPOSITION OR REPAYMENT.] The repayment must be
35.28 paid to the state to the extent it represents a state tax
35.29 reduction and to the county to the extent it represents a
35.30 property tax reduction. Any amount repaid to the state must be
35.31 deposited in the general fund. Any amount repaid to the county
35.32 for the property tax exemption must be distributed to the local
35.33 governments with authority to levy taxes in the zone in the same
35.34 manner provided for distribution of payment of delinquent
35.35 property taxes. Any repayment of local sales taxes must be
35.36 repaid to the city or county imposing the local sales tax.

36.1 Subd. 4. [REPAYMENT PROCEDURES.] (a) For the repayment of
36.2 taxes imposed under chapter 290 or 297A or local taxes collected
36.3 pursuant to section 297A.99, a business must file an amended
36.4 return with the commissioner of revenue and pay any taxes
36.5 required to be repaid within 30 days after ceasing to do
36.6 business in the zone. The amount required to be repaid is
36.7 determined by calculating the tax for the period or periods for
36.8 which repayment is required without regard to the exemptions and
36.9 credits allowed under section 469.315.

36.10 (b) For the repayment of taxes imposed under chapter 297B,
36.11 a business must pay any taxes required to be repaid to the motor
36.12 vehicle registrar, as agent for the commissioner of revenue,

36.13 within 30 days after ceasing to do business in the zone.

36.14 (c) For the repayment of property taxes, the county auditor
36.15 shall prepare a tax statement for the business, applying the
36.16 applicable tax extension rates for each payable year and provide
36.17 a copy to the business. The business must pay the taxes to the
36.18 county treasurer within 30 days after receipt of the tax
36.19 statement. The taxpayer may appeal the valuation and
36.20 determination of the property tax to the tax court within 30
36.21 days after receipt of the tax statement.

36.22 (d) The provisions of chapters 270 and 289A relating to the
36.23 commissioner's authority to audit, assess, and collect the tax
36.24 and to hear appeals are applicable to the repayment required
36.25 under paragraphs (a) and (b). The commissioner may impose civil
36.26 penalties as provided in chapter 289A, and the additional tax
36.27 and penalties are subject to interest at the rate provided in
36.28 section 270.75, from 30 days after ceasing to do business in the
36.29 job opportunity building zone until the date the tax is paid.

36.30 (e) If a property tax is not repaid under paragraph (c),
36.31 the county treasurer shall add the amount required to be repaid
36.32 to the property taxes assessed against the property for payment
36.33 in the year following the year in which the treasurer discovers
36.34 that the business ceased to operate in the job opportunity
36.35 building zone.

36.36 (f) For determining the tax required to be repaid, a tax
37.1 reduction is deemed to have been received on the date that the
37.2 tax would have been due if the taxpayer had not been entitled to
37.3 the exemption or on the date a refund was issued for a
37.4 refundable tax credit.

37.5 (g) The commissioner may assess the repayment of taxes
37.6 under paragraph (d) any time within two years after the business
37.7 ceases to operate in the job opportunity building zone, or
37.8 within any period of limitations for the assessment of tax under
37.9 section 289A.38, whichever period is later.

37.10 Subd. 5. [WAIVER AUTHORITY.] The commissioner may waive
37.11 all or part of a repayment, if the commissioner, in consultation
37.12 with the commissioner of trade and economic development and
37.13 appropriate officials from the local government units in which
37.14 the qualified business is located, determines that requiring
37.15 repayment of the tax is not in the best interest of the state or
37.16 the local government units and the business ceased operating as
37.17 a result of circumstances beyond its control including, but not
37.18 limited to:

- 37.19 (1) a natural disaster;
- 37.20 (2) unforeseen industry trends; or
- 37.21 (3) loss of a major supplier or customer.

37.22 [EFFECTIVE DATE.] This section is effective the day
37.23 following final enactment.

37.24 Sec. 25. [469.320] [ZONE PERFORMANCE; REMEDIES.]

37.25 Subdivision 1. [REPORTING REQUIREMENT.] An applicant
37.26 receiving designation of a job opportunity building zone under
37.27 section 469.314 must annually report to the commissioner on its
37.28 progress in meeting the zone performance goals under the
37.29 development plan for the zone and the applicant's compliance
37.30 with the business subsidy law under sections 116J.993 to
37.31 116J.995.

37.32 Subd. 2. [PROCEDURES.] For reports required by subdivision
37.33 1, the commissioner may prescribe:

- 37.34 (1) the required time or times by which the reports must be
37.35 filed;
- 37.36 (2) the form of the report; and

Report

38.1 (3) the information required to be included in the report.
 38.2 Subd. 3. [REMEDIES.] If the commissioner determines, based
 38.3 on a report filed under subdivision 1 or other available
 38.4 information, that a zone or subzone is failing to meet its
 38.5 performance goals, the commissioner may take any actions the
 38.6 commissioner determines appropriate, including modification of
 38.7 the boundaries of the zone or a subzone or termination of the
 38.8 zone or a subzone. Before taking any action, the commissioner
 38.9 shall consult with the applicant and the affected local
 38.10 government units, including notifying them of the proposed
 38.11 actions to be taken. The commissioner shall publish any order
 38.12 modifying a zone in the State Register and on the Internet. The
 38.13 applicant may appeal the commissioner's order under the
 38.14 contested case procedures of chapter 14.

38.15 Subd. 4. [EXISTING BUSINESSES.] (a) An action to remove
 38.16 area from a zone or to terminate a zone under this section does
 38.17 not apply to:

38.18 (1) the property tax on improvements constructed before the
 38.19 first January 2 following publication of the commissioner's
 38.20 order;

38.21 (2) sales tax on purchases made before the first day of the
 38.22 next calendar month beginning at least 30 days after publication
 38.23 of the commissioner's order; and

38.24 (3) individual income tax or corporate franchise tax
 38.25 attributable to a facility that was in operation before the
 38.26 publication of the commissioner's order.

38.27 (b) The tax exemptions specified in paragraph (a) terminate
 38.28 on the date on which the zone expires under the original
 38.29 designation.

38.30 [EFFECTIVE DATE.] This section is effective the day
 38.31 following final enactment.

38.32 Sec. 26. [477A.08] [JOB OPPORTUNITY BUILDING ZONE AID.]

38.33 Subdivision 1. [ELIGIBILITY.] (a) For each assessment year
 38.34 that the exemption for job opportunity building zone property is
 38.35 in effect under section 272.02, subdivision 56, the assessor
 38.36 shall determine the difference between the actual net tax
 39.1 capacity and the net tax capacity that would be determined for
 39.2 the job opportunity building zone, including any property
 39.3 removed from the zone that continues to qualify under section
 39.4 469.320, subdivision 4, if the exemption were not in effect.

39.5 (b) Each city and county is eligible for aid equal to
 39.6 one-half of:

39.7 (1) the amount by which the sum of the differences
 39.8 determined in paragraph (a) for the corresponding assessment
 39.9 year exceeds three percent of the city's or county's total
 39.10 taxable net tax capacity for taxes payable in 2003, multiplied
 39.11 by

39.12 (2) the city's or the county's, as applicable, average
 39.13 local tax rate for taxes payable in 2003.

39.14 Subd. 2. [CERTIFICATION.] The county assessor shall notify
 39.15 the commissioner of revenue of the amount determined under
 39.16 subdivision 1, paragraph (b), clause (1), for any city or county
 39.17 that qualifies for aid under this section by June 30 of the
 39.18 assessment year, in a form prescribed by the commissioner. The
 39.19 commissioner shall notify each city and county of its qualifying
 39.20 aid amount by August 15 of the assessment year.

39.21 Subd. 3. [APPROPRIATION; PAYMENT.] The commissioner shall
 39.22 pay each city and county its qualifying aid amount by July 20 of
 39.23 the following year. An amount sufficient to pay the aid under
 39.24 this section is appropriated to the commissioner of revenue from

*aid for
property taxes
all the amount
will*

39.25 the general fund.

39.26 [EFFECTIVE DATE.] This section is effective beginning for
39.27 aid based on property taxes assessed in 2004, payable in 2005.

39.28 Sec. 27. [APPROPRIATION; COST OF ADMINISTRATION.]

39.29 \$100,000 in fiscal year 2004 and \$30,000 in fiscal year
39.30 2005 are appropriated to the commissioner of trade and economic
39.31 development for the cost of designating job opportunity building
39.32 zones.

39.33 \$53,000 in fiscal year 2004 and \$29,000 in fiscal year 2005
39.34 are appropriated to the commissioner of revenue for the cost of
39.35 administering the tax provisions of this act.

39.36 [EFFECTIVE DATE.] This section is effective the day
40.1 following final enactment.

40.2 ARTICLE 2

40.3 BIOTECHNOLOGY AND HEALTH SCIENCE ZONES

40.4 Section 1. [LEGISLATIVE FINDINGS.]

40.5 The legislature finds, as a matter of public policy, that
40.6 biotechnology and the health sciences hold immense promise in
40.7 improving the quality of our lives, including curing diseases,
40.8 making our foods safer and more abundant, reducing our
40.9 dependence on fossil fuels and foreign oil, making better use of
40.10 Minnesota agriculture products, and growing tens of thousands of
40.11 new, high-paying jobs.

40.12 The legislature further finds that there are hundreds of
40.13 discoveries made each year at the University of Minnesota, the
40.14 Mayo Clinic, and other research institutions that, if properly
40.15 commercialized, could help provide these benefits.

40.16 The legislature further finds that biotechnology and health
40.17 sciences companies benefit from location in proximity to these
40.18 research institutions and the many faculty, students, and other
40.19 intellectual and physical infrastructure these institutions
40.20 provide.

40.21 The legislature further finds that Minnesota's high-quality
40.22 workforce is attractive to biotechnology and health sciences
40.23 companies that would want to relocate, start up, or expand in
40.24 Minnesota.

40.25 The legislature further finds and declares that it is
40.26 appropriate and necessary, to improve our quality of life and as
40.27 a matter of economic development, that Minnesota take rapid and
40.28 affirmative steps to encourage the development of biotechnology
40.29 and the health sciences and the commercialization of important
40.30 discoveries, especially through expansion of business
40.31 opportunities in proximity to the research institutions where
40.32 those discoveries occur. This must include attention to the
40.33 ethical, legal, and societal impacts of the industry, including
40.34 risk assessment and environmental protection.

40.35 Sec. 2. Minnesota Statutes 2002, section 272.02, is
40.36 amended by adding a subdivision to read:

41.1 Subd. 56. [BIOTECHNOLOGY AND HEALTH SCIENCES INDUSTRY ZONE
41.2 PROPERTY.] (a) Improvements to real property, and personal
41.3 property, classified under section 273.13, subdivision 24, and
41.4 located within a biotechnology and health sciences industry zone
41.5 are exempt from ad valorem taxes levied under chapter 275, as
41.6 provided in this subdivision.

41.7 (b) For property to qualify for exemption under paragraph
41.8 (a), the occupant must be a qualified business, as defined in
41.9 section 469.330.

41.10 (c) The exemption applies beginning for the first
41.11 assessment year after designation of the biotechnology and
41.12 health sciences industry zone by the commissioner of trade and